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Multinational Programming and Operational Centre (ECA/MULPOC) for Eastern and Southern African States

Seventh Meeting of the MULPOC Committee of Officials

Addis Ababa, Ethiopia

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PROGRESS REPORT ON THE IMPLEMENTATION OF THE MULPOC WORK PROGRAMME IN THE FIELDS OF TRADE, MONETARY AND FINANCIAL CO-OPERATION

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INTRODUCTION

1. With the coming into force of the Treaty for the establishment of the Preferential Trade Area (PTA) for Eastern and Southern States in September 1982, a number of activities were initiated during 1983 with a view to implementing the provisions of the PTA Treaty in the fields of trade, monetary and financial co-operation. This report covers activities carried out in the following areas :

(a) Trade promotion activities in the PTA;

(b) Establishment of Agricultural Commodity Exchanges;

(c) Establishment of a subregional Trade Promotion and Training Centre;

(d) Establishment of an Eastern and Southern African Trade and Development Bank;

(e) Establishment of a Clearing House; and

(f) Review of the implementation of the Lagos Plan of Action in the field of trade, monetary and financial co-operation in the Lusaka MULPOC.

(a) Progress report on the Trade Activities of the PTA for ESAS

2. At its meeting held in December 1982, the PTA Authority adopted important decisions concerning the Preferential Trade Area, some of which related to the following :

(a) The adoption of a work programme and management plan for the PTA for the period January - December 1983;

(b) The establishment of a budget for the PTA for the period January - December 1983;

(c) The appointment of the Secretary-General of the PTA and the core staff as from 1 January 1983.

3. These policy decisions, in effect, constituted the formative phase of the PTA for ESAS. The function of ECA as Interim Secretariat for the PTA ceased at the end of 1982 and the PTA Secretariat took over as from 1 January 1983. Having praised the Executive Secretary of the Economic Commission for Africa and his staff, the Authority of the PTA urged ECA to continue to render technical and logistical support to the PTA Secretariat.

4. In the spirit of continued co-operation, a senior ECA staff member was seconded to the PTA Secretariat to perform the functions of Director of Trade, Monetary and Customs Division from May to December 1983. A paper was prepared on techniques, procedures and modalities for the organisation of the first round of negotiations on commodities. In addition, a revised Common List of Commodities to be traded among the PTA countries was prepared. In preparation for the training of customs officers of the PTA member States, ECA prepared a paper on customs co-operation and a "manual" or practical guide on the application of the PTA rules of origin with a view to familiarizing them with the PTA customs regulations and procedures.

5. On the recommendations of the Intergovernmental Commission of Experts, the Third meeting of the Council of Ministers held in Harare, Zimbabwe, in December 1983, endorsed the decisions of the Customs and Trade Committee by approving the following :

(a) The common List of preferential commodities showing the proposed tariff and non-tariff reductions;

(b) That there was no need, at this stage, to enter into negotiations on a product-by-product basis in respect of commodities appearing on the Common List;

(c) That the cut-off date for determining the customs duties on which tariff reductions in respect of commodities in the approved Common List shall be based on rates of customs duties applied by the member States on the date of the definitive entry into force of the Treaty as stipulated in paragraph 2(a) of Article 6 of Annex I to the PTA Treaty;

(d) That member States should establish a PTA Tariff column in their respective customs tariffs or publish suspension orders or regulations as soon as possible but certainly before 1 July 1984.

6. The Council further recommended that all member States which have not yet acceded to international Customs Conventions such as the Kyoto Convention, and the Nairobi Convention should do so with a view to facilitating the simplification and harmonization of customs laws, rules, regulations and procedures. The Council directed that an indepth study on new GATT Valuation Code should be undertaken by the PTA Secretariat. The Council also recommended that the training programmes and seminars for Customs and Government officials, importers, exporters, chambers of commerce etc.. should be conducted in 1984 with a view to familiarizing them with the provisions of the Treaty.

7. In compliance with the decisions reached by the Lusaka MULPOC Council of Ministers at its 6th meeting held in Mbabane, Kingdom of Swaziland in 1983 to the effect that while the recommendations contained in the feasibility study on the establishment of an Agricultural Commodity Exchange for Eastern and Southern Africa (Document No. ECA/MULPOC/Lusaka/V/3(ii) prepared by the ECA Secretariat) were generally acceptable, the study should be reviewed by a working party of experts from the member States and that the working party should draw up a draft commodity agreement, draft rules and regulations governing the operations of the proposed Agricultural Commodity Exchange, the ECA Secretariat undertook an indepth study on the practical operations of the proposed commodity exchange and prepared a draft memorandum of association, draft agreements, rules and regulations governing the operations of the commodity exchange.

8. The study and the draft documents that the ECA Secretariat prepared were based on a series of missions undertaken to a number of commodity exchanges and auction markets in but mostly outside Africa. In view of the techical nature of the subject, it is suggested that the draft agreements, the memorandum of association and the rules and regulations governing the operations of the commodity exchange should be examined by experts who are conversant with the issues related to markating and market information and that such a meeting be convened during the last half of 1984 since it was not possible to hold it in 1983 due to lack of financial resources.

(iii) Progress Report on the Establishment of a Trade and Development Bank for ESAS

9. It should be recalled that the feasibility study on the establishment of an Eastern and Southern African Trade and Development Bank was again presented at the inaugural meeting of the PTA Clearing and Payments Committee in November 1982. The latter meeting referred the study for review by an Intergovernmental Team of Experts from Ministries of Trade, Finance and Planning as well as from Central and Development Banks. This decision was endorsed by the MULPOC Council of Ministers held in Lusaka in December 1982. In compliance with that decision, the PTA Secretariat convened the meeting of the Intergovernmental Team of Experts during October 1983 in Lusaka, Zambia. Recognizing the need for the establishment of the proposed Bank for the subregion, the Team of Experts recommended the establishment of the Bank by transforming the existing East African Development Bank (EADB) into a subregional institution subject to agreement of Kenya, Tanzania and Uganda the present owners of the Bank.

10. The Intergovernmental Commission of Experts endorsed also the recommendations of the Team of Experts. The PTA Council of Ministers felt that the proposed capital stock of SDR 800 million was rather too ambitious taking into account the economic conditions of member States. The Council, therefore, decided that the study should be referred back to the Intergovernmental Team of Experts and the Commission for further examination. To this end, the Council directed that a new study should focus, inter-alia, on the following :

- size of the initial authorized capital stock of the proposed Bank;
- up-dating of the valuation of the assets and liabilities of the East African Development Bank;
- examination of options of establishing a subregional bank de novo;
- the timing of the commencement of operations of the Bank.

11. The Council also requested that particulars and conditions concerning non-PTA sources of equity participation should be identified and explained more clearly than had been done by the Intergovernmental Commission of Experts.

(iv) Review of the Implementation of the Lagos Plan of Action (LPA) in the field of Trade and Finance in the Lusaka based MULPOC Area

12. For the attainment of the objectives of collective self-reliance and self-sustaining development and economic growth, it is directed, under the Lagos Plan of Action (LPA), that a number of measures should be taken at the subregional level. These include the reduction and/or elimination of trade barriers and the establishment of appropriate economic integration arrangements as well as the setting up of supporting institutions.

13. In the field of trade, the LPA recommended in particular the establishment of appropriate economic integration arrangements within the framework of the MULPOCs and the reduction or elimination of trade barriers between member States. It is worth noting, in this respect, that in the Eastern and Southern African subregion, satisfactory progress has been made towards the implementation of the PTA Treaty. The inaugural meeting of the PTA Authority held in December 1982 adopted the work programme and management plan for the Preferential Trade Area for the period January-December 1983, and the budget for the same period. The PTA Authority appointed also the Secretary-General of the PTA and its core staff which became operational as of 1 January 1983.

14. These policy decisions, in effect, launched the formative phase of the PTA. For the purpose of implementing the Protocols on reduction and elimination of trade barriers and customs co-operation, the Common List of commodities to be traded within the PTA was revised. The PTA Authority at its Summit meeting held in December 1983 decided that no further negotiations should take place on those commodities and that mutual trade concessions should be exchanged on the basis of the revised Common List. This decision will allow the immediate implementation of the Protocol on the reduction and/or elimination of trade barriers.

15. The LPA also recommended that to minimise the use of foreign exchange and promote intra-African trade, studies should be undertaken with a view to assisting governments in establishing agricultural commodity exchanges at subreginal level. As far as the Eastern and Southern African subregion is concerned, the feasibility study which was completed in 1982, was examined by the meeting of Experts of the Lusaka-MULPOC in February 1983. Given the technical nature of the subject, the Council of Ministers, then, decided that ECA should prepare a further in-depth study on the operational aspects of the commodity exchange. The study has now been completed and will be tabled for discussion at the meeting of the Lusaka MULPOC policy organs in 1984.

16. In the field of finance, the LPA directed at the subregional level that clearing and payments arrangements, export credit financing as well as development finance institutions should be established to support the development of intra-subregional trade. As far as export credit financing and development finance institutions are concerned, the feasibility study on the establishment of a Trade and Development bank for ESAS has been reviewed by various PTA organs, including the intergovernmental Team of Experts which recommended in October 1983 the transformation of the East African Development Bank into a subregional trade and development Bank. However, the Council of Ministers at their meeting in December 1983 decided that the issue of establishing a bank should be referred back to the Team of Experts and the Commission for further study.

(v) Progress Report on the Establishment of a Clearing House for ESAS

17. Following the adoption of the rules and regulations and other arrangements for the operations of the Clearing House by the PTA Clearing and Payments Committee at its inaugural meeting held in November 1982 in Lusaka, Zambia, ECA invited offers from all the Monetary Authorities of the PTA member States to host the PTA Clearing House for an interim period of two years. As a result, the offers received by the ECA from the Central Banks of Uganda and Zimbabwe were considered by the PTA Clearing and Payments Committee at its meeting held in Mauritius in August 1983, and accepted the offer of the Reserve Bank of Zimbabwe to host the Clearing House. Furthermore, the Committee appointed a Sub-committee composed of Central Banks of Zambia, Swaziland and Zimbabwe to examine the modalities of operations of the PTA Clearing House within the Central Bank of Zimbabwe and to assess, in particular, the cost to be incurred by the Reserve Bank of Zimbabwe including the drawing up of a Contract Agreement between the Reserve Bank of Zimbabwe and the Clearing and payments Committee. The Sub-committee met in Harare, Zimbabwe in September 1983 and recommended concrete proposals which, enabled the Clearing House to start operations on the 1st of February 1984.

18. The PTA Authority on the recommendation of the Council of Ministers, adopted the recommendations of the Clearing and Payments Committee on the modalities of operations of the PTA Clearing House and further decided that the clearing operations should be extended to cover all intra-PTA trade and related transactions.

(vi) Progress Report on the Establishment of the Eastern and Southern Africa trade promotion and training centre (Nairobi)

19. In compliance with the decision of the sixth meeting of the Lusaka MULPOC Council of Ministers held in Mbabane, Swaziland from 14 to 16 February 1983, a consultative meeting between the Government of Kenya, the Economic Commission for Africa (represented by the Lusaka MULPOC and the Africa Trade Centre) and ESAMI took place in Nairobi from 23 to 27 May 1983. This consultative group reviewed and finanlized the following documents for the effective establishment of the centre :

(a) ESAMI objectives and functions;

(b) Outline of the objectives and activities of the Centre;

(c) Background information and rationale for the establishment of the centre;

(d) Budget proposals; and

(e) Draft agreement establishing the Nairobi based Eastern and Southern Africa Trade Promotion and Training Centre.

During the visit of the Officer-in-Charge of the Centre in Addis Ababa from 10 to 13 January 1984, a project document on training activities was finalized in co-operation with the ECA secretariat and will be submitted to external donors for possible financing.